APPENDIX

Internal Revenue Code:

SEC. 3030. TAX.

(a) *Rate.*—

(1) *Still Wines.*—

(A) *Imposition.*—Upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, produced in or imported into the United States after February 24, 1919, or which on February 25, 1919, were on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

On wines containing not more than 14 per centum of absolute alcohol, 5 cents per wine gallon, the per centum of alcohol under this section to be reckoned by volume and not by weight;

On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 10 cents per wine-gallon;

On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, 20 cents per wine-gallon;

All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

Any such wines may, under such regulations as the Secretary may prescribe, be sold or removed tax free for the manufacture of vinegar, or for the production of dealcoholized wines containing less than

one-half of 1 per centum of alcohol by volume.

The taxes imposed by this subparagraph (A) of this paragraph shall not apply to dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume; nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year.

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(26 U. S. C. sec. 3030.)

SEC. 3039. ALLOWANCE FOR LOSS DURING STORAGE OR CELLAR TREATMENT.

(a) *Power of Commissioner.*—The Commissioner, with the approval of the Secretary, is authorized to make such allowances for unavoidable loss of wines while on storage or during cellar treatment as in his judgment may be just and proper.

(b) *Transfer of Duties.*—

For transfer of powers and duties of Commissioner and his agents, see section 3170.

(26 U. S. C. sec. 3039.)

Treasury Regulations 7 (1937 ed.):

PAR. 173. *Inventories.*—Each proprietor of a bonded winery or bonded storeroom will take an inventory of all wines on storage on June 30 and December 31 of each year, and will enter on his winery or storeroom accounts, Form 702, 702–A, and 702–B, for those months the losses disclosed by such inventories. Additional inventories

may be taken at such other times as the proprietor may desire and the losses disclosed thereby entered on the wine or storeroom accounts. Losses by fire or other casualty, or any other extraordinary or unusual losses, will be reported to the district supervisor immediately after they occur. Credit may also be claimed for such other losses as are actually ascertained to have been sustained, but no credit may be claimed for estimated losses. When an inventory is taken, such fact should be noted on Forms 702, 702–A, and 702–B.

PAR. 174. *Losses at wineries and storerooms.*—Where the losses at a bonded winery or bonded storeroom during any fiscal year, beginning July 1 and ending June 30, exceed 3 per cent of the aggregate quantity of wine on hand at the beginning of the fiscal year and received in bond during the fiscal year, and 6 per cent of the wine produced at a bonded winery by fermentation, or vermouth manufactured, during the fiscal year, or when requested by the district supervisor, the winemaker or proprietor of a bonded storeroom must file with the district supervisor for his district, within 30 days after the close of the fiscal year, an application under oath for remission of the tax on the entire loss, and set out therein all the material facts relating to the loss, and particularly the nature, cause, and extent of the loss. The application will also state the quantity of wine destroyed for which special allowance was made. Applications must be prepared by or at the direction of the proprietor or his duly authorized agent.

PAR. 176. *Cause of loss.*—The nature, cause, and extent of the loss must be stated

specifically and in sufficient detail to disclose all the material facts and circumstances surrounding the loss. Where the loss is due to leakage, the cause of the leakage must be stated; where due to racking, the quantity of wine racked and the time of racking should be given; where due to excessive evaporation, the cause therefor should be set out fully; where due to the baking of wine, all of the information required to be entered on the record prescribed by paragraph 85 must be furnished. The particulars of losses from other causes should be given in like manner. Where possible to do so, the loss from each tank or package should be explained separately.

PAR. 179. *Insurance.*—Each application covering losses by casualty or in transit must state whether the proprietor has been or will be indemnified for the tax on the wine lost. Allowance will not be made for losses where the proprietor is so indemnified.

PAR. 181. *Action by Commissioner.*—The Commissioner will make such allowances for unavoidable loss of wines while in storage or in transit as in his judgment may be just and proper. District supervisors will carry all items of loss in bonded wineries and bonded storerooms in their bonded accounts, Forms 733, 733–A, and 733 marked "Vermouth Account," as not allowed until the tax is paid on the loss or they are advised by the Commissioner that the loss has been allowed. Tax must be paid on all wines removed contrary to law while stored in a bonded winery or bonded storeroom or in transit in bond regardless of the per cent of loss.

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